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SUBJECT: MEDIA REACTION; ARGENTINA-VENEZUELA; US ECONOMY; SUSAN
SEGAL COMMENTS ON CRISTINA; 08/10/07

1. SUMMARY STATEMENT

Key international stories today are related to the Argentine-Venezuelan relationship following the scandal of the 800,000-dollar suitcase found at Jorge Newbery Airport; the current status of the US economy; and comments from Susan Segal, head of the Council of the Americas, about First Lady and Senator Cristina Kirchner's bid for Argentine presidency.

2. OPINION PIECES AND EDITORIALS

- "An abnormal and dangerous relationship"

Daily-of-record "La Nacion" front-pages an opinion piece by political columnist Joaquin Morales Sol, who opines (08/10) "... The (Argentine Government's) official version that everything was delayed in handling the scandal (of the 800,000-dollar suitcase belonging to a Venezuelan passenger disembarking at Jorge Newbery airport from an aircraft chartered by Enarsa state energy holding) not to bother Chavez, who was in Buenos Aires by then, indicates that things with him always work in a weird way.

"Did not seven people on board know who the eighth one was, which was precisely the very one carrying almost 800,000 dollars? Chavez and Kirchner always brag about the extreme control they exercise in their respective countries except when things become difficult or suspicious. It must be easy money.

"... Amid all this one finds (Kirchner's) clumsy relationship with Chavez. The fact that a country depends on another to pay off its debts or to obtain the indispensable energy it needs is too serious itself. Even more serious is the fact that mysterious transfers of seemingly illegal money are made between two state and oil corporations."

- "Doubts will disappear when the bubble is deflated"

Business-financial "El Cronista" carries an opinion piece by Gabriel Sanchez, President IERAL (Institute for the Study of the Latin American Reality)-Fundacion Mediterraneo, who writes (08/10) "The volatility of international financial markets seems to be endless. The bottom line of this volatility is uncertainty about the future of US real estate and loan markets and its impact on US consumption, activity rate and value market.

"... While economic indicators reveal that the US economy is distancing itself from the risk zone, the Federal Reserve has maintained short-term interest rates under the argument that the threat posed by inflation has not been dismissed yet...

"... One of the Federal Reserve's main fears has long been the

destabilizing and inflationary impact of the real estate bubble... This is why it has refrained from performing an immediate 'bail out' through lowering interest rates, which could help to maintain the bubble...

"... All this happens now that the world economy is in very good health. Other than the US, Europe and East Asia show a seemingly strong and steady growth. Emerging countries are even more dynamic, boosted as they are by high international commodity prices, although the other side of the coin in this case is that they have been punished by the so-called 'flight to quality'...

"Argentina still has good indicators that could make it attractive again, but in order to reach this goal it should first correct the deviations in its policy created by elections. This is crucial because while the Government can afford to make debt payments without resorting to international markets, next year Argentine companies' funds will no longer be enough for the needed investment and it will be imperative to access foreign credit markets while avoiding high increases in the cost of capital."

- "The US looks to Cristina's bid for (Argentine) presidency"

Marcelo Bonelli, economic columnist of leading "Clarín," comments (08/10) "Susan Segal, the influential head of the Council of the Americas, paid attention in silence to all critical statements from US businessmen.

"In the confidential meeting, businessmen and bankers focused their criticism on the (Argentine) Government's anti-business attitude and they expressed their doubts about the future of the country's fiscal accounts and the economic plan.

"Segal understood their complaints, although he made a surprising statement 'You must know that Argentina's current political scenario does not offer expectations other than those of Cristina.' 'For now,

governance in Argentina can only be guaranteed with Cristina's triumph.'

"In this way, Segal expressed the prevailing opinion among the members of Manhattan's financial and economic elite, in spite of the reservations that Nestor Kirchner still prompts and the doubts about Cristina Kirchner's will to make real adjustments."

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